



Agenda Report

21-47

Agenda Date: 2/9/2021

REPORT TO COUNCIL

SUBJECT

Presentation and Discussion on City Retirement Costs by Bartel & Associates LLC

COUNCIL PILLAR

Enhance Community Engagement and Transparency

BACKGROUND

In December 2020, the City of Santa Clara contracted with Bartel Associates, LLC (Bartel), to conduct an actuary study on the City's CalPERS pension costs and determine future contribution rates. The City has worked with Bartel for over ten years during which time the firm has provided valuable information for projecting retirement costs including those used for our 10-year forecast. Bartel has over 300 clients, primarily in California, and specializes in providing states, counties, cities, and other public agencies with actuarial analysis including retiree medical and pension consulting services. Bartel is highly regarded across the region with municipal finance professionals and regularly presents on retirement and pensions at conferences and events.

DISCUSSION

Across all CalPERS cities in the State, pension costs continue to be a concern. Bartel will present and discuss the City's retirement costs with the City Council as part of a Study Session. The Study Session is designed to inform and engage the Council about the rising cost of pensions, the trends and actions that have led to where we are today, and what is forecasted ahead. The impact of some of the key data elements that will be discussed include:

- Pension costs forecast, and the projected rate of increase over the next 10 years;
- CalPERS discount rate assumption decreasing from 7.5% to 7.0% over three years (full impact to be realized in FY 2024/25) and the likelihood of future discount rate reductions as part of a risk mitigation strategy; and
- Unfunded liability increases for both pension plans from the previous year.

The update to the 10-Year General Fund Forecast incorporated these updated projections and the latest pension costs will also be factored into the upcoming FY 2021/22 and FY 2022/23 Biennial Operating Budget. Planning for these increasing costs as part of the Forecast provides the City Council the tool to make strategic decisions for the long term in order to continue delivering the high level of service to our residents.

COORDINATION

This report has been coordinated with the City Attorney's Office.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(b)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

FISCAL IMPACT

Costs associated with Bartel Associates, LLC presentation to the City Council are included in the FY 2020/21 Adopted Operating Budget.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>>.

Reviewed by: Kenn Lee, Director of Finance

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Bartel Associates, LLC Report